



Ceiling on Stocks of Wheat and Pulses

For Prelims: [Food Security](#), [Essential Commodities Act \(ECA\), 1955](#), [IMD](#), [Inflation](#), PDS.OMSS.

For Mains: Ceiling on Stocks of Wheat and Pulses.

Why in News?

Recently, the Ministry of Consumer Affairs, Food & Public Distribution has imposed **limits on Stock of Wheat** that can be held by traders, wholesalers, retailers, big chain retailers and processors to manage the overall **food security** and to **prevent hoarding and unscrupulous speculation**.

- The Ministry has also imposed stock limits on [Tur and Urad](#) by invoking the [Essential Commodities Act \(ECA\), 1955](#) due to same reasons.

Why are the Stock Limits being Imposed?

- **Concerns over Wheat Production:**
 - Unseasonal rains, hailstorms, and higher temperatures in Feb 2023 raised **concerns about the overall wheat output**.
 - Lower production leads to higher prices, which may **surpass the government's purchase prices** and affect supply stability.
 - There are indications of **a potential 20% decrease in wheat procurement** compared to initial estimate.
 - Approximately 5.23 lakh hectares of wheat crop were **estimated to be damaged in MP, Rajasthan and UP** due to hailstorms.
 - The [India Meteorological Department](#) had warned of adverse effects on wheat crops **due to higher temperatures during the reproductive growth period**.
- **Invoking ECA 1955 for Tur and Urad:**
 - Tur prices have risen **since mid-July 2022** amid slow progress in [Kharif sowing](#) as compared to 2021 due to **excess rainfalls and water logging conditions** in some parts of major Tur growing states of Karnataka, Maharashtra and MP.
 - To control any unwarranted price rise, the government is taking **pre-emptive steps to ensure overall availability and controlled prices** of pulses in the domestic as well as overseas markets.

What are the Government Orders regarding Wheat Stock Limits?

- **Imposition of Stock Limits to Stabilize Prices:**
 - The permissible stock limits are set at **3,000 metric tonnes for traders/wholesalers**, 10 metric tonnes at each outlet for retailers, and 3,000 metric tonnes at all depots (combined) for big chain retailers.
 - Processors are allowed to **stock up to 75% of their annual installed capacity**.
 - Entities are required to declare their stock positions regularly on the Department of Food and Public Distribution's portal.

- In case of stocks being held are higher than the limit, the **time limit is 30 days** from the day of issuing notification to bring the same under the prescribed limits.
- **Offloading Wheat through OMSS:**
 - The government has decided to sell 15 lakh tonnes of wheat from the central pool through the [Open Market Sale Scheme \(OMSS\)](#).
 - Wheat will be sold via e-auction to flour mills, private traders, bulk buyers, and manufacturers of wheat products.
 - The sale will **be conducted in lot sizes of 10 to 100 metric tonnes**, with the possibility of releasing more batches based on prices and demand.
 - A similar plan is being **considered for offloading rice** to moderate its prices.

What does the Government Seek from these Orders?

- **Stabilize Prices:**
 - The primary aim is to stabilize wheat prices in the market. By imposing stock limits on various entities involved in the wheat supply chain, **the government aims to prevent hoarding and speculation**, ensuring a steady supply of wheat and **avoiding price volatility**.
- **Ensure Affordability:**
 - By stabilizing prices, the government intends to **make wheat more affordable for consumers**.
 - Controlling retail prices through the offloading of wheat from the central pool via the OMSS ensures that **wheat remains accessible to the public at reasonable rates**.
- **Prevent Supply Shortages and Maintain Food Security:**
 - By monitoring and managing the stock limits, the government **aims to ensure an adequate supply of wheat to meet the demand** and avoid any scarcity in the market and make wheat available to vulnerable sections of society via [Public Distribution System](#).

What is the Essential Commodities Act 1955?

- **Background:**
 - The ECA Act 1955 was legislated **at a time when the country was facing a scarcity of foodstuffs** due to persistent low levels of foodgrains production.
 - The country was dependent on imports and assistance (such as wheat import from the US under PL-480) to feed the population.
 - India signed a **long-term Public Law (PL) 480 agreement** to get food aid under Government agricultural trade development assistance, with the US in 1954.
 - To prevent hoarding and black **marketing of foodstuffs**, the Essential Commodities Act was enacted in 1955.
- **Objective:**
 - The ECA 1955 is used to **curb inflation** by allowing the Centre to enable control by state governments of trade in a wide variety of commodities.
- **Essential Commodity:**
 - There is no specific definition of essential commodities in ECA 1955. **Section 2(A) of the Act** states that an “essential commodity” means a commodity specified in the Schedule of the Act.
- **Centre's Role:**
 - The Act gives powers to the central government to **add or remove a commodity in the Schedule**.
 - The Centre, if it is satisfied that it is necessary to do so in the public interest, can notify an item as essential, in consultation with state governments.
- **Impact:**
 - By declaring a commodity as essential, the government can control the production, supply, and distribution of that commodity, and impose a stock limit.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

Q. Consider the following crops: (2013)

1. Cotton
2. Groundnut
3. Rice
4. Wheat

Which of these are Kharif crops?

- (a) 1 and 4
(b) 2 and 3 only
(c) 1, 2 and 3
(d) 2, 3 and 4

Ans: (c)

Mains:

Q. What are the major reasons for declining rice and wheat yield in the cropping system? How is crop diversification helpful to stabilize the yield of the crops in the system? (2017)

Source: TH

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